



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
LOGAN COUNTY
SHERIFF'S SETTLEMENT - 1998 TAXES**

June 8, 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.STATE.KY.US/AGENCIES/APA**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 1998 TAXES	3
NOTES TO FINANCIAL STATEMENT	5
COMMENT AND RECOMMENDATION	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	13



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable John H. Guion III, County Judge/Executive

Honorable Dannie Blick, Logan County Sheriff

Members of the Logan County Fiscal Court

Independent Auditor's Report

We have audited the Logan County Sheriff's Settlement - 1998 Taxes as of June 8, 1999. This tax settlement is the responsibility of the Logan County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable John H. Guion III, County Judge/Executive
Honorable Dannie Blick, Logan County Sheriff
Members of the Logan County Fiscal Court

Based on the results of our audit, we have presented a comment and recommendation, included herein, which discusses the following area of noncompliance.

- The Sheriff Should Settle All Receivables And Liabilities Relating To The 1998 Tax Account

In accordance with Government Auditing Standards, we have also issued a report dated October 15, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 15, 1999

LOGAN COUNTY
DANNIE BLICK, SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES

June 8, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 571,120	\$ 459,858	\$ 2,462,249	\$ 929,589
Tangible Personal Property	113,258	70,861	370,938	494,101
Intangible Personal Property				84,920
Limestone, Sand, and Gravel	174	118	1,059	284
Fire Protection	1,668			
Franchise Corporation	62,000	40,658	204,600	
In Lieu of Taxes	78,076			
Additional Billings	2,734	2,133	14,162	4,795
Omitted Taxes	112	88	416	208
Oil Property	20	16	75	33
Increased Through Erroneous Assessments	455	360	1,670	1,997
Penalties	5,511	4,342	23,387	8,864
Adjusted to Sheriff's Receipt	(144)	(29)	14	(119)
Gross Chargeable to Sheriff	<u>\$ 834,984</u>	<u>\$ 578,405</u>	<u>\$ 3,078,570</u>	<u>\$ 1,524,672</u>
<u>Credits</u>				
Discounts	\$ 9,930	\$ 7,625	\$ 40,688	\$ 23,543
Exonerations	6,286	4,553	26,343	8,131
Delinquents:				
Real Estate	10,924	8,672	50,891	17,847
Tangible Personal Property	347	217	1,019	940
Intangible Personal Property				49
Total Credits	<u>\$ 27,487</u>	<u>\$ 21,067</u>	<u>\$ 118,941</u>	<u>\$ 50,510</u>
Net Tax Yield	\$ 807,497	\$ 557,338	\$ 2,959,629	\$ 1,474,162
Less: Commissions *	<u>34,606</u>	<u>23,687</u>	<u>44,394</u>	<u>62,939</u>
Net Taxes Due	\$ 772,891	\$ 533,651	\$ 2,915,235	\$ 1,411,223
Taxes Paid	780,256	538,550	2,915,878	1,409,771
Refunds (Current and Prior Year)	<u>437</u>	<u>286</u>	<u>1,423</u>	<u>1,376</u>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u><u>\$ (7,802)</u></u>	<u><u>\$ (5,185)</u></u>	<u><u>\$ (2,066)</u></u>	<u><u>\$ 76</u></u>

* and ** See Page 4

LOGAN COUNTY
DANNIE BLICK, SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES
June 8, 1999
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	2,828,997
1.5% on	\$	2,959,629

** Special Taxing Districts:

Library District	\$	(2,409)
Health District		(1,311)
Extension Service District		(1,303)
Soil Conservation District		196
Big Muddy Creek Watershed District		(366)
Mud River Watershed District		<u>8</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>(5,185)</u></u>
--	----	-----------------------

The accompanying notes are an integral part of the financial statement.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT

June 8, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff met the requirements stated above, and as of June 8, 1999, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENT
June 8, 1999
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 1, 1998 through April 12, 1998.

Note 4. Interest Income

The Logan County Sheriff earned \$8,339 as interest income on 1998 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. In 1995, the Sheriff paid to the Logan County Treasurer unclaimed funds of \$938. These funds are being held in escrow by the Logan County Treasurer, and the balance of that account on May 31, 1999 was \$985. The Sheriff is also holding unclaimed funds from the 1996 taxes in an escrow account. The balance of this account on May 31, 1999 was \$93. In 1998, the Sheriff had unclaimed funds of \$2,140. The Sheriff will place these funds in an interest-bearing account. Therefore, the Sheriff should send a written report to the Treasury Department.

COMMENT AND RECOMMENDATION

LOGAN COUNTY
DANNIE BLICK, SHERIFF
COMMENT AND RECOMMENDATION

June 8, 1999

STATE LAWS AND REGULATIONS:

The Sheriff Should Settle All Receivables And Liabilities Relating To The 1998 Tax Account

The Sheriff should obtain refunds due from taxing districts. These refunds are due to errors on franchise bills, which were prepared by the Logan County Clerk. After collecting refunds due the Sheriff, he should refund taxpayers in the following amounts:

Refunds To Taxpayers:

R. J. Corum, Railroad Company	\$	12,662
Bell South Telecommunications	\$	74
Midwestern Gas Company	\$	33
Western Kentucky Gas Company	\$	120
Pennyrile RECC	\$	36
Warren RECC	\$	12
Logan Telephone Company	\$	37
Mid Valley	\$	229

The Sheriff should also refund the State of Kentucky \$137, the Logan County Soil Conservation District \$196, and the Mud River Watershed \$8.

County Judge/Executive's Response:

Outstanding receivables and liabilities will be settled by the Sheriff's office.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable John H. Guion III, County Judge/Executive
Honorable Dannie Blick, Logan County Sheriff
Members of the Logan County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Logan County Sheriff's Settlement - 1998 Taxes as of June 8, 1999, and have issued our report thereon dated October 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Logan County Sheriff's Settlement - 1998 Taxes as of June 8, 1999 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Logan County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable John H. Guion III, County Judge/Executive
Honorable Dannie Blick, Logan County Sheriff
Members of the Logan County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 15, 1999

